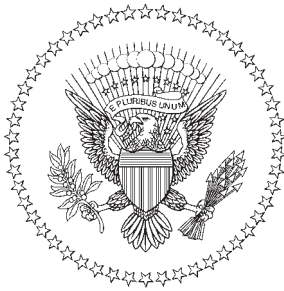


ECONOMIC
REPORT
OF THE
PRESIDENT



JANUARY 2017

TOGETHER WITH
THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS



C O N T E N T S

ECONOMIC REPORT OF THE PRESIDENT.....	1
ANNUAL REPORT OF THE COUNCIL OF ECONOMIC ADVISERS*...	7
CHAPTER 1 EIGHT YEARS OF RECOVERY AND REINVESTMENT	21
CHAPTER 2 THE YEAR IN REVIEW AND THE YEARS AHEAD...	65
CHAPTER 3 PROGRESS REDUCING INEQUALITY	151
CHAPTER 4 REFORMING THE HEALTH CARE SYSTEM	195
CHAPTER 5 INVESTING IN HIGHER EDUCATION	299
CHAPTER 6 STRENGTHENING THE FINANCIAL SYSTEM.....	349
CHAPTER 7 ADDRESSING CLIMATE CHANGE	423
REFERENCES	485
APPENDIX A REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE COUNCIL OF ECONOMIC ADVISERS DURING 2016	545
APPENDIX B STATISTICAL TABLES RELATING TO INCOME, EMPLOYMENT, AND PRODUCTION	559

*For a detailed table of contents of the Council's Report, see page 11.

ECONOMIC REPORT
OF THE
PRESIDENT

ECONOMIC REPORT OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

Eight years ago when I took office, our economy was in crisis. We were just months into the worst recession since the Great Depression, with unemployment rising rapidly toward a peak of 10 percent. Nearly 800,000 Americans were losing their jobs each month, and home prices and the stock market had plummeted. The auto industry was on the verge of collapse. Many American families struggled to pay their bills, and millions had lost their homes.

Faced with this crisis, my Administration acted quickly, taking steps to shore up the financial system; cut taxes for working families; invest in infrastructure, clean energy, and teacher jobs; help families refinance their homes; and rescue the auto industry. These actions stemmed the tide of the crisis and laid the foundation for a stronger economy over the long term.

Today, thanks to the resilience of the American people, our economy has emerged as the strongest and most durable in the world. By nearly every economic measure, America is better off than when I took office. We are in the midst of the longest streak of job growth on record. U.S. businesses have added 15.6 million jobs since early 2010. The unemployment rate has been cut by more than half from its peak, falling much faster than economists expected. Rising home prices have brought millions of homeowners back above water, we are less reliant on foreign oil than we have been in nearly three decades, and we have cut our budget deficit by two-thirds as a share of the economy.

Most importantly, wages have begun to rise again for working families. In 2015, median household income rose at the fastest rate on record, with the typical family earning an additional \$2,800. The poverty

rate fell by more than any year since 1968. And data indicate that these gains have continued in 2016, with wages rising over 2.7 percent at an annual rate so far this year, much faster than inflation.

While American families have made remarkable progress during the recovery, my Administration has also strengthened the long-term foundation of our economy and worked to ensure that every American has a fair chance to succeed if they work hard. We enacted the Affordable Care Act (ACA) and reshaped our healthcare system, expanded opportunity by making education more affordable and our tax code fairer, and increased our economy's resilience by strengthening the financial system and addressing climate change. These efforts have yielded undeniable results.

Today, 20 million more American adults have health insurance. On top of that, more than 3 million additional children have health insurance today than in 2008, thanks in large part to the ACA and other actions under my Administration. Our uninsured rate has hit its lowest level ever, and insurance companies can no longer discriminate against those with pre-existing conditions. At the same time, we have slowed the growth of health costs dramatically. The average premium for a family who gets coverage on the job is \$3,600 lower today than it would be if premium growth had matched the decade before the ACA. All of these changes pay dividends for our economy.

We have also worked to ensure that all American families can share in the benefits of the economy, not just those at the top, and we have succeeded in rolling back some of the rise in inequality since the 1970s. Tax changes since 2009 have increased the share of income going to the bottom 99 percent of families by more than any Administration since at least 1960. These tax changes and the ACA will boost incomes for our lowest-income families by 18 percent, or \$2,200.

Over the long term, education provides the surest path to increasing economic opportunity. During my Administration, we have increased access to early childhood education, lifted high school graduation rates to record highs, and encouraged States to adopt higher standards and provide better training for teachers. And to help make college more affordable, we have doubled investments in Pell Grants and college tax credits; simplified the application for Federal student aid; and helped more than 5 million borrowers cap their monthly student loan payments.

Finally, we have made our economy more resilient against future challenges. After the financial crisis, we passed the toughest Wall Street

reforms in history. Banks have sharply increased the size of their capital buffers, there are new tough limits on risky behavior by banks, and we have brought dark corners of the shadow banking industry under the regulatory umbrella, all of which make another crisis less likely. We have new tools to guard against another “too big to fail” scenario and a new consumer watchdog to hold financial institutions accountable.

Sustainable economic growth also requires addressing climate change, and since 2008, we have seen U.S. emissions fall even as our economy has grown. America’s economy is becoming more energy efficient and less carbon intensive. Our policies helped to catalyze this change: In 2009, the Recovery Act made a historic investment in clean energy, and we have since increased incentives for renewable energy like wind and solar, improved energy efficiency, and implemented the first-ever greenhouse gas standards for power plants, cars, and trucks. And America’s leadership on climate issues helped pave the way for the Paris Agreement, in which almost 200 countries committed to take concrete steps to reduce emissions.

Our economic progress over the past eight years has been nothing short of remarkable, and I am proud of everything my Administration has accomplished. But I have always acknowledged that the work of perfecting our union, and making our economy work for every American, would take far longer than my time in office.

As I pass the baton to my successor, much work remains to continue strengthening our economy and, most importantly, lifting wages for working families. It is no secret that our openness to new ideas and inclusivity are part of what make the United States the most resilient economy in the world. Continuing our technological progress and innovation, engaging with the world economy through trade, and welcoming immigrants and new American families will create shared growth and help define our economy for the coming decades.

The first step is to make smart, long-term investments that raise productivity, like boosting funding for infrastructure and research and development. We must also promote competition and innovation in the economy and open new markets for American businesses through high-standards trade agreements.

But strengthening economic growth is only half of the equation. We must also make sure that workers can share in that prosperity by creating new, well-paid jobs and preparing workers for them. That means investing

in education from Pre-K all the way through college and increasing access to apprenticeships and other career pathways. It means giving workers a bigger voice and setting fair rules of the road by strengthening collective bargaining, raising the Federal minimum wage, expanding access to paid leave, and supporting retirement savings. And it means making our tax system fairer so that those at the top pay their fair share.

Finally, we must ensure that growth is sustainable by continuing to address the global risk of climate change, by increasing the safety and accountability of our financial system, and by making responsible fiscal decisions.

Over the past eight years, our country has come back from a once-in-a-lifetime economic crisis and emerged even stronger. For all the work that remains, a new foundation has been laid. A new future is ours to write. I have never been more optimistic about America's future, and I am confident that this incredible journey that we are on as Americans will continue.

A handwritten signature in black ink, appearing to read 'Donald Trump', with a large, stylized 'D' and a circular flourish.

THE WHITE HOUSE
DECEMBER 2016



THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS

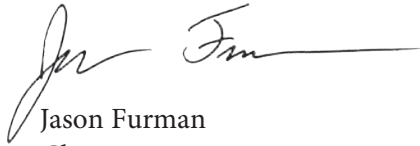
LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS
Washington, D.C., December 15, 2016

MR. PRESIDENT:

The Council of Economic Advisers herewith submits its 2017 Annual Report in accordance of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

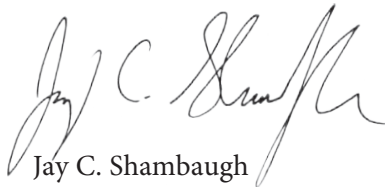
Sincerely yours,

A handwritten signature in black ink, appearing to read 'J. Furman', with a long horizontal flourish extending to the right.

Jason Furman
Chairman

A handwritten signature in black ink, appearing to read 'Sandra E. Black', written in a cursive style.

Sandra E. Black
Member

A handwritten signature in black ink, appearing to read 'Jay C. Shambaugh', with a large, stylized 'J' and 'S'.

Jay C. Shambaugh
Member